

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0251-04  
Bill No.: HCS for SB 48  
Subject: Public Service Commission; Utilities  
Type: Original  
Date: May 4, 2011

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Bill Summary: This proposal modifies provisions relating to utilities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Public Service Commission Fund	\$60,000	\$60,000	\$60,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$60,000</b>	<b>\$60,000</b>	<b>\$60,000</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of State Courts Administrator** state this proposal will have no fiscal impact on the Courts.

Officials from the **Department of Revenue, State Tax Commission,** and the **Office of Administration - Administrative Hearing Commission** assume no fiscal impact from this proposed legislation.

Officials from the **Little Blue Valley Sewer District** state this proposal will have no fiscal impact on their sewer district.

#### §247.060 - Public Water District Board of Directors

In response to HB 210 (0881-01) from this session, officials from the **County of St Louis** and the **City of Kansas City** assumed no fiscal impact from this proposal.

**Oversight** assumes this section of the proposal is discretionary and would have no local fiscal impact without action by the governing body.

#### §386.420 - 386.540 - Public Service Commission Appellate Procedures

Officials from the **Department of Economic Development - Public Service Commission** calculate the PSC could save over \$60,000 per year in materials and postage costs with the ability to use electronic service.

#### §393.152 - Utility Deposits from Delinquent Customers

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** state this proposal will have no fiscal impact on their respective divisions.

Officials from the **Department of Social Services** state this section of the proposal will have no fiscal impact on the Utilicare Program.

Also in response to the introduced version of this proposal, officials from **Johnson County** and the **City of West Plains** stated no fiscal impact.

ASSUMPTION (continued)

Officials from the **Public Water Supply District No. 2 of St. Charles County** state they would stand to lose revenue from uncollected accounts. The District currently holds deposits from all customers until it receives 24 months of timely payments. This section of the legislation would expose the District to greater risk of non-payment and potentially reduce revenue by thousands of dollars per year. The lost revenue might cause an increase in rates for all customers.

§393.1000 & §393.1003 - Infrastructure System Replacement Surcharge (ISRS)

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** state this proposal would expand existing legislation so that at least five more service areas for major population centers could take advantage of the opportunity to adjust rates. Currently, only one service area has this option. The proposed legislation also expands the definition of "Water utility plant projects" such that items are included that will raise the question of prudence on investment question. Prudence audits require significantly more analysis than investment verification analysis and require both financial and engineering analysis. Expansion of eligibility for the single issue rate mechanism provided under this proposal also increases the number of rate cases, thus requiring additional resources to analyze all utility costs and process the rate case before the Public Service Commission. Single issue rate mechanisms that exclude consideration of other utility operating revenues, costs, and net investments do not provide ratepayers assurance that the ratepayers are paying just and reasonable rates in total. The required rate case will be the only opportunity to ensure that total rates are just and reasonable.

This proposal will create significant additional responsibilities for OPC staff, requiring the addition of 2 FTE's with specific professional expertise to address the complex legal, engineering and financial issues that will be raised by this proposed legislation. This proposal significantly expands the service territories that could face rate increases and also expands existing statutory authority. This expansion results in new regulatory issues currently not addressed. The proposed legislation effectively will require additional mandatory rate cases which are necessary in order to consider all relevant factors of a utility consistent with case law on setting rates.

**Oversight** assumes it is unknown how many cases would be subject to review. For fiscal note purposes only, **Oversight** will show no additional personnel costs. Should a sufficient number of cases warrant additional personnel, those personnel may be requested through the appropriations process.

**Oversight** assumes this proposal could result in unknown rate increases for state governments, local governments, and small businesses.

ASSUMPTION (continued)

§414.530; 414.560; 414.570 - Missouri Propane Education and Research Council

In response to HB 598 (FN 1573-01) from this session, officials from the **Department of Agriculture** and **Department of Natural Resources** assumed there would be no fiscal impact to their respective agencies.

§660.122 - Utilicare

Officials from the **Department of Social Services** state this section makes modifications to the procedures by which a utility customer can be disconnected under the cold weather rule. While this provision would enable some customers to maintain their utility services during periods of cold weather, it does not change the eligibility guidelines for receiving assistance.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - State Agencies - Increased water service rates (§393.1000 & §393.1003)	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
<b>PUBLIC SERVICE COMMISSION FUND</b>			
<u>Savings</u> - Materials and postage costs (§386.490)	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$60,000</u>
<b>ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND</b>	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$60,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Loss</u> - Water Districts - Uncollected Accounts (§393.152)	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - Local Political Subdivisions - Increased water service rates (§393.1000 & 393.1003)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

This proposal could result in an increase in utility costs to operate small businesses.

FISCAL DESCRIPTION

§386.490 - Public Service Commission Appellate Procedures

Every order of the commission shall be served upon every person or corporation to be affected thereby, either by personal delivery of a certified copy thereof, by electronic service, or by mailing a certified copy thereof, in a sealed package with postage prepaid, to the person to be affected thereby, or, in the case of a corporation, to any officer or agent thereof upon whom a summons may be served in accordance with the provisions of the code of civil procedure.

§393.152 - Utility Deposits from Delinquent Customers

Gas, electric, water, heating, and sewer companies are prohibited from requiring a deposit or other guarantee for continued service to any existing customer that has been late in paying the utility bill at least 5 times in a 12-month period when such customer has consistently made a monthly payment by the delinquent date during the 12-month period of at least \$75 or 25% of the total outstanding balance.

This section does not apply to customers who owe more than \$300 or to customers making payments as part of an established pay plan with the utility.

FISCAL DESCRIPTION (continued)

§393.1000 & §393.1003 - Infrastructure System Replacement Surcharge (ISRS)

Currently, only water companies in St. Louis County may establish infrastructure system replacement surcharge (ISRS) rate schedules with the PSC to recover costs associated with eligible infrastructure system replacements. This proposal allows any water company in any county to establish ISRS rate schedules, but adds a qualifying provision for small water companies that any such ISRS must generate ISRS revenues of at least \$10,000. The proposal also adds certain energy efficiency projects to what is considered to be an eligible infrastructure system replacement.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
    Public Service Commission  
    Office of Public Counsel  
Office of Administration  
    Administrative Hearing Commission  
Office of State Courts Administrator  
Department of Revenue  
Department of Social Services  
State Tax Commission  
Department of Agriculture  
Department of Natural Resources

SOURCES OF INFORMATION (continued)

Cities

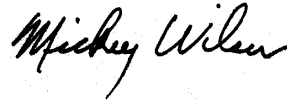
Kansas City  
West Plains

Counties

St Louis  
Johnson

Water and Sewer Districts

Public Water Supply District No. 2 - St Charles County  
Little Blue Valley Sewer District

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
May 4, 2011